

STATE OF WASHINGTON



OFFICE OF
INSURANCE COMMISSIONER

REPORT OF
TARGET MARKET CONDUCT EXAMINATION
OF
EQUITABLE LIFE INSURANCE COMPANY OF
IOWA
AT
604 LOCUST STREET
DES MOINES, IOWA
AS OF
JUNE 30, 1996

Seattle Washington

The Honorable Deborah Senn
Washington Insurance Commissioner
Olympia, Washington 98504

Dear Commissioner Senn:

Pursuant to your instructions and in compliance with the statutory requirements of RCW 48.03.010, I have examined the corporate affairs and market conduct of:

Equitable Life Insurance Company of Iowa

604 Locust Street

Des Moines, IA

hereafter referred to as "the Company" or "Equitable" or "ELIC" or "Equitable of Iowa." The following report is respectfully submitted.

Scope of Examination

The examination was performed in compliance with the provisions of Washington insurance laws and regulations. The market conduct review followed the rules and procedures promulgated by the Office of the Insurance Commissioner (OIC) and the National Association of Insurance Commissioners (NAIC). The examination covered the period of January 1, 1992 through June 30, 1996. The scope of this examination was limited to Marketing and Sales Practices, Complaint Handling and Replacement Activity.

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EXAMINATION REPORT CERTIFICATION

This examination was conducted in accordance with the Office of the Insurance Commissioner and National Association of Insurance Commissioners market conduct examination procedures. This examination was performed by Leslie Krier, Fritz Denzer and Sally Carpenter, who participated in the preparation of this report.

I certify that the foregoing is the report of the examination, that I have reviewed this report in conjunction with pertinent examination work papers, that this report meets the provisions for such reports prescribed by the Office of the Insurance Commissioner, and that this report is true and correct to the best of my knowledge and belief.

Pamela Martin

Chief Market Conduct Examiner

Office of the Insurance Commissioner

State of Washington

HISTORY OF THE COMPANY

TERRITORY OF OPERATIONS

MANAGEMENT

Equitable Life Insurance Company of Iowa was founded in 1867, and is domiciled in the State of Iowa. Since 1977, it has been a wholly owned subsidiary of Equitable of Iowa Companies. It is a stock company which operates in the District of Columbia and all states except New Hampshire and New York. In 1972, it became a publicly held company through public offerings of common stock shares. In July of 1988, all stock in USG Annuity and Life Company was purchased by Equitable Life Insurance Company of Iowa. The two companies have common ownership but maintain separate marketing distribution systems. Administrative functions for the two companies are shared.

In 1977, Equitable of Iowa Companies was formed to act as a holding company for Equitable Life Insurance Company of Iowa and USG Annuity and Life Company. The Company markets life insurance and annuity products to individuals and small businesses.

The Company was admitted to do business in the State of Washington in 1903. As of December 31, 1995, the total premium volume in Washington was \$6,768,470, and the Company had 249 active agents in Washington. They are authorized to sell Life, Disability, Variable Life and Variable Annuities in this state.

The Company is governed by a Board of Directors. The Board meets quarterly, with the annual meeting held by April 30th of each year. The current Board members are:

Frederick S. Hubbell (President, Chairman of the Board and CEO)

John A. Merriman

Paul E. Larson

Thomas L. May

Jerome L. Sychowski

Paul R. Schlaack

Beth B. Neppi

Lawrence V. Durland, Jr.

Terry Kendall

A Company organization chart is attached as Appendix 1.

Fraud/Ethics Training

In May 1993, the Company published an Announcement Bulletin to All Field Associates concerning their corporate policy on Deceptive, Unfair or Fraudulent Conduct. Prior to

this date, a yearly announcement bulletin addressed to all managers, office staff and career agents reminding them of the need to report complaints to Home Office and to guard against misrepresentation. The May 1993 bulletin specifically addressing deceptive, unfair or fraudulent conduct is re-circulated in January of each year.

In December 1995, the Company filed a Fraud Plan with the State of Washington as required by RCW 48.30A.045. At about this same time, the Company offered a Fraud Detection Training Program to employees. In 1996, they published the "EIC's Little Red Book Fraud Detection Training." This booklet outlines what to look for and who to advise if you suspect fraudulent acts on the part of employees, agents or insureds.

MARKETING AND SALES PRACTICES

This examination focuses on specific areas of the Marketing and Sales Division. Those areas are: Agent Recruiting, Agent Training, Agent Contracts and Agent Appointment procedures. Although Conservation activity is part of this division, it is included in the report section titled "Replacements."

The Marketing and Sales Division is responsible for administrative interaction with agents. This includes advanced underwriting support for agents, marketing, sales, commissions, conservation, and agent contracting. Responsibility for recruiting, training and supervising agents rests with General Agencies located throughout the Company's territory of operations.

Agent Appointment Procedures

Until 1995, the Company contracted agents who reported directly to the Equitable of Iowa Sales Managers in field offices. There were ten (10) agent contract types available. Many of these overlapped and an agent could qualify for more than one type of contract. To eliminate confusion and the multiple compensation levels required by this structure, the Company revised their contracts which reduced the number of contract types to four. The four contracts available as of the examination date are: Career Agent Contract, Broker Agreement, Retired Agent Contract and the General Agent Contract. From 1993 until March of 1995, all agents were appointed with Equitable of Iowa and USG. Outside of these dates, agents are appointed for the Company with which they are transacting business.

As part of the 1995 revision, the Company restructured the General Agent Agreement to include specific responsibilities for recruiting, training, and supervising all types of agents. They restructured their field operations and replaced the employee sales manager position with General Agents. Career Agents, brokers and retired agents now report to a general agent who also sells products for Equitable of Iowa. Agents who reside in Washington may or may not be assigned to a general agent in this state. Agents are encouraged to work through their General Agent for sales ideas, but are free to contact

the Home Office with questions and problems. The Company maintains toll free lines for agents for pre-sale assistance, underwriting and customer service. Until 1995, the focal point of agent activity was the local sales office. It has now become the Home Office in many instances.

Subsequent Event: The Company now sends all state specific regulation updates to agents licensed in states where changes occur. This correspondence is sent directly from the Marketing Department to affected agents.

As of the examination date, Equitable of Iowa had 249 active, appointed agents in the State of Washington. There were eight general agents in the State of Washington. Forty-four (44) of the appointed Washington agents report to these eight (8) general agents (GAs). Fifty-seven (57) of the appointed Washington agents hold nonresident appointments in Washington. The balance of the agents appointed in Washington report directly either to the Home Office, or to general agents outside of the State of Washington, or are USG agents who do not report to general agents.

As part of the examination process, agent appointments were checked against policy issue dates to determine if the agents were appointed prior to soliciting business on behalf of the Company. Of the 2,837 policies issued during the exam period, 44 policies written by 22 agents had issue dates prior to the agent's Washington appointment date with Equitable of Iowa. Equitable was asked to provide copies of appointment records for these agents. They were not able to do so. When the Company merged agent appointment processing with USG in March 1993, the Equitable paper records were destroyed. The only records prior to March 1993 are those records entered into the computer system. Appendix 2 is a listing of agents and policies in this category.

The Equitable of Iowa new business system does a cross check for active agent appointments when an application is added to the system. If the agent does not hold an appointment, the system will allow the policy record to be added, but will not allow the record to be shown as in force until the appointment is complete. A new agent is not added to the agent database until the appointment is confirmed from the state.

Agent Recruiting and Training

Prior to 1995, agents were recruited and trained by Company personnel. Recruiting and training are now functions of the General Agents. There are some standard industry recruiting materials and some Company sponsored training materials. The Company does not require General Agents to use the Company material, but does require that any other material be approved by the Company prior to use. The Company has not had a formal procedure for auditing agent prepared materials. To date, no audits have been performed on Washington offices. Although the Company did cite three (3) visits to the Seattle Office during the examination period, there were no audit reports to verify that they had reviewed office materials and procedures.

Subsequent Event: As of 1997, the Company procedure is to have any Home Office personnel visiting a field office perform an audit which will include reviewing agent prepared sales materials. They have developed a standard audit checklist which is to be completed by the Home Office personnel.

The Company has a training program for new agents. The program, MAPS (Methods, Activities, Practices and Strategies) was developed by the Company, but the materials are not dated. It appears that the most current version is from 1994. The training program consists of a Trainer's Guide and seven volumes of materials. The seven volumes are:

The Company & The Career

Prospecting

Client Building

Basic Sales Cycle

Referred Leads

Products and Procedures Library (PPL)

Target Ethics

Volume 7, Target Ethics, contains information on ethics, case studies and review questions. It also contains legal information on handling money, misrepresentation, rebating, twisting, false advertising, arguments for and against replacements and how to keep proper documents. Volume 8, which has not been completed, was to have covered conservation and competition.

The Company uses a variety of mediums to train agents in new products and procedures. These include: Marketing Support toll free lines, Underwriting toll free lines, advanced sales personnel, and two (2) day General Agent orientation programs on products and compliance, EPIC quarterly magazine, and a product guide which is given to all new agents and contains company procedures and guidelines.

In addition to the above, the Company sends out bulletins to all agents on topics selected by the Sales and Marketing staff. The bulletins appear to cover sales and marketing techniques and materials, Company procedures, information on Company training classes and materials, and Company seminar information. The bulletins examined cover topics such as internal policy replacements, conservation, replacement and churning issues.

Subsequent Event: There have been two (2) additional items developed since the on-site examination for training agents: the Sales Guide ADo=s and Don=ts@ for all agents and employees, and a weekly conference call with all field personnel.

COMPLAINTS

Complaints are handled by a centralized unit consisting of the Complaint Officer, two Customer Relations Representatives (CRR) and one manager. A legal liaison officer assists in complaint handling and reviews complaint resolutions. During the examination period, the complaint review process underwent a number of changes. From 1992 to September 1993, the complaint log was maintained and reviewed by the Director of Customer Service, with the President and CEO of the Company as the Designated Compliance Officer. This changed in September 1993 to the Senior Vice President as the Designated Compliance Officer, who reviewed all complaints.

Complaint logs were circulated to all officers of the Company. In 1995, this function became an ongoing review process by the Director of Compliance. In January 1996, resolution of complaints moved to the Director of Compliance , then to the Director of Policyholder Relations.

Activities handled by this unit include individual customer complaints, OIC complaints and inquiries, agent complaints and complaints from other sources. As part of this process, there is a Market Conduct Monitoring team that meets monthly to review operational concerns, complaint issues, agent activity issues. There are plans for them to review replacement logs to identify activity trends, but they do not do so at this time.

Complaints are either received in the Compliance Unit or forwarded there from other areas. All written complaints are logged into the complaint register. The CRRs classify complaints by type. An annual bulletin to staff and agents discusses complaint handling procedures and complaint classification type. Until 1996, the Company sent an annual bulletin to agents and employees describing complaints and how to handle them. In 1996, the Company created AEIC=s Little Red Book@. While this book was initially intended to train personnel and agents in fraud detection, it does include a section on complaint handling.

During the examination period, there were 22 complaints from policyholders in the State of Washington. All were reviewed as part of this examination. OIC records for the examination period show four complaints. The Company logs listed three. All four (4) were reviewed as part of the examination.

The Company made timely written responses to the four OIC inquiries. The average response time on OIC complaints is 10.6 days. The longest response time was 19 days and the shortest period was four days.

A review of the company complaint log was completed as part of the examination process. Five complaints concerned agent mishandling of policy servicing. Fourteen concerned company policy servicing complaints and two concerned point of sale complaints. Of the 22 complaints, 13 had initial decisions reversed or further action was required by the Company. The Company did not change their position in nine of the complaints. Appendix 3 is a breakdown of the type of complaint by year.

In reviewing the complaint files, we found two complaints that require further action by the Company at this time. In one, the complaint stated that the agent was to have canceled policies with another Company when the Equitable of Iowa policies were issued. This did not happen. The agent did not feel that it was his place to do this even though he advised the insureds to keep the old policies in force only until the new policies were issued. The application does not reflect that existing coverage may be terminated when the Equitable of Iowa policies were issued. WAC 284-23-410 states that if an agent has knowledge that any existing coverage is to be terminated, that a replacement form must be submitted with the application (U84487 and U84488). The Company took no action on this case at the time of complaint. The correct action would have been to counsel the agent on replacement requirements and to get forms from him at that time.

In the second case, a complaint and request for a full refund of premiums paid was made to the Company. The agent failed to notify the insured that she was purchasing a life insurance policy as opposed to an IRA pension plan. The complaint was received a year after issuance of the policy. In reviewing the material submitted by the agent, the agent states that the sale was based on a "private pension plan concept.@ In addition, there is an attachment showing the agent presentation, which shows names "IRA ALT,@ "Private Pension,@ "401". There is no mention of life insurance.

In its resolution, the Company denied this request based on the Ten Day Right to Examine provision and did not consider that this policy had been misrepresented to the insured at the point of sale. RCW 48.30.090, Misrepresentation of Policies states that "No person shall make, issue or circulate, or cause to be made, issued or circulated any misrepresentation of the terms of any policy or the benefits or advantages promised thereby,.....@ In addition, RCW 48.30.010 Unfair Practices in General - Remedies and Penalties, '(1) states that no person engaged in the business of insurance may use deceptive tactics in their insurance dealings. This case violates both code sections. The premium should have been returned to the insured at the time of complaint (1856246).

Subsequent Event: In mid 1997, the Company started holding monthly meetings with affected departments to discuss issues that have arisen in complaints, submitted field advertising, and customer support that indicated the need for marketing training or revision of materials.

REPLACEMENT ACTIVITY

The New Business Department handles new policies replacing existing insurance with another company and internal replacement of existing Equitable policies. The Conservation Unit is responsible for details related to replacement of existing Equitable of Iowa policies by other companies and for internal replacements. Records were available for all types of replacements during the examination period.

Until changes were made in field office structure in late 1995, the Company relied on field office management to train and update agents in replacement requirements. When field offices were replaced with General Agencies, the Home Office took more responsibility for assuring that agents were made aware of state replacement regulations. The Product Guide given to each new agent contains replacement requirements for each state. In addition, the Underwriting Department requires adherence to state regulations for replacement and solicitation. Changes to state requirements are sent to each agent that has an appointment in the state affected by the change.

Replacement records were reviewed for compliance with WAC 284-23-400 through WAC 284-23-455. This section defines the requirements that must be met when replacement is involved in the sale of a new insurance policy. In addition, the examiner reviewed the replacement form in use by the Company for compliance with WAC 284-23-485.

Records for internal replacements and for those cases where Equitable of Iowa replaces an outside carrier are kept on the mainframe computer system at the Company. Records are entered into the system during new business processing. A report of replacement activity by agent and by state is generated quarterly and reviewed by management. The Company looks for a high volume of replacement (more than five in one year) and counsels agents that have high activity. According to Company records, there have been no Washington agents disciplined for replacement activity. Company procedure calls for agents to complete replacement forms and submit them to the Company for both external and internal replacements. The form in use by Equitable of Iowa does meet the requirements of WAC 284-23-485.

During the examination period, there were 2,015 applications received in the underwriting department. Of these, there were 114 internal replacements and 279 external replacements. This represents 19.5 % of the total policies issued during the examination period.

Thirty-four replacement files were reviewed by the examiners. Of those, 10 files (29%) did not contain timely notification of possible replacement to the existing insurance company. It was difficult to determine if the three-day notification requirement of WAC 284-23-455(2)(b) was met as the Company did not date stamp new applications or any

other correspondence until 1995. In addition, many of the form letters sent out to notify other companies of possible replacement were not dated.

In addition to the above, there were two policy files that did not meet requirements of WAC 284-23-400 through WAC 284-23-485. In one instance, the agent did not complete the replacement forms at the time of application. However, the Company did require that they be completed prior to issuing the policy. In another file, the agent did not answer the replacement question as required by WAC 284-23-440 (1)(b). A list of the policies mentioned in this section appears in Appendix 4.

CONSERVATION

In 1994 the Company created a Conservation Unit. Prior to that time, they relied on agents to contact insureds about replacing in-force insurance coverages. The Conservation Unit is responsible for contacting insureds and discussing the merits of keeping or changing their coverage. The staff members are appointed as Equitable of Iowa agents and are Company employees. However, at this time, only the Director of Conservation has a nonresident Washington appointment due to low volume in this state. If he is out of the office, all conservation efforts wait for his return.

The main function of the Conservation Unit is to conserve business, not write new business. They do this by phoning and writing to those who have asked for information, or submitted forms to surrender policies, request policy loans or request other non-forfeiture options. The Conservation Unit keeps agents informed of contacts made with their clients, but does not rely on them to do the bulk of the conservation activity.

The Conservation Unit also keeps records of the number of replacements by agent. If an agent has more than five in-force policy replacements in a year, they are contacted by the Conservation Director to determine why their replacement activity is high. If the Conservation Director determines that the replacements are inappropriate, the agent is counseled about his activity. If the activity continues, the agent is terminated. The Company states that no Washington agents have had reprimands for this type of activity.

The Company feels that this unit has been successful retaining business within the Company. They did not furnish statistics to back up this claim. The other positive aspect of the Conservation Unit is that it provides a means to monitor the activity of and be proactive in counseling agents about replacement activity.

REVIEW OF IN-FORCE POLICY RECORDS

As part of the examination process, the Company provided an ACCESS database containing records of all policies issued during the examination period. The Company has issued 24, 019 policies in the State of Washington, of which 15,553 were in-force as of December 31, 1995. The database contained records on 2,278 policies issued between January 1, 1992 and June 30, 1996. Of these, 190 were selected at random for examiner review. The review consisted of reading policy file paperwork from the application date to the current date. Information gathered during this process included: agent name, replacement information, indication that premium dollars had been transferred from another policy either inside or outside the Company and current status of the policy. The following statistics were created from the data provided by the Company:

- During the examination period, 402 policies were issued on individuals who had existing policies with the Company.
- Of these policies, 141 of the existing policies had exercised non-forfeiture options such as reduced paid up insurance or extended term insurance, during the examination period and after the purchase of the new policy.
- There were 83 existing policies surrendered after the new policy was issued.
- There were 11 existing policies that had loans taken out after the new policy was issued.
- The Company was asked to provide information on policies where dividends on an existing policy were surrendered after a new policy was issued. This information could not be extracted from Company records. However, we did find in reviewing policy files that this situation occurred.

Total Population Database

The following information was extracted from the random sample generated from the Company supplied database:

- Of the 190 policy files reviewed, replacement was involved in 34 cases. This includes replacement of both internal and external policies. (7 internal, 27 external)
- Of the 190 policy files reviewed, 9 files indicated that values from existing policies were used to pay premiums on the new policies. On 3 policies, money came from internal transfers. The other 6 were from policy exchanges with other companies (Section 1035 Exchanges).

- Twenty-four (24) of the 190 policies were conversions of existing Equitable term policies to other Equitable products. These internal conversions require no replacement forms.
- Thirteen (13) of the sample population policies were issued and terminated during the examination period, which may be an indicator of non-reported replacement activity.

See APPENDIX 5 for a listing of the policies mentioned above.

New Policies with Policy Loans on Existing Policies

In a separate database, the Company provided a list of policyholders who had a new policy issued during the examination period and an older policy with a loan against it. Of the 11 policies in this category, the records on three policies show that the values from the existing policies were used to pay premium on the new policy.

In reviewing the policy files for the three policies, it was determined that the cash value of paid up additions on the old policies funded the new policy instead of a loan against the old policy. When this occurred, notification was sent to the policy owner stating that the surrender value of the paid up additions had been used to pay the premium on the new policy, and forms signed by the policy owner were on file. In 2 of the 3 policies reviewed, the value transfer occurred only in the first policy year. In one case, the funds were used to pay two additional annual premiums.

New Policies Issued During the Exam Period with Existing Policies

The Company provided a database that listed those policies issued during the exam period to policyholders that had an existing policy(s) at the time the new policy was issued. There were 402 policies in this category. This represents 17.6% of the policies issued during the examination period. Thirty-three(33) policies were selected on a random basis for review during the examination.

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- Of the 33 policies selected, 13 were conversions of term coverage to whole life or universal life. Two were the result of internal replacement and two were the result of external replacement. The other 16 policies were additional coverage issued on the insured.
 - Thirteen of the existing policies are still active policies. Twenty of the existing policies are no longer active: 13 due to conversion, 4 were surrendered or lapsed, 2 were converted to new coverage and 1 is terminated due to death.
 - Four of the new policies were funded from values of existing policies. Three were funded from surrender of paid up additions, one from the entire value of multiple

existing policies. All the existing policies were terminated. Appropriate paperwork was on file for all transactions, along with notification to the insured of the value transfers.

A list of the policies in this category can be found in APPENDIX 5.

SUMMARY OF EXAMINATION FINDINGS

Since 1994, Equitable Life Insurance Company of Iowa has recognized the need to more closely monitor regulatory compliance and agent replacement activities. This is evidenced by several changes within the company.

- Naming a Compliance Officer to deal with state regulation issues.
- Implementation of a Conservation Unit.
- 1994-1995 implementation of procedures to monitor agent replacement activity and to invoke disciplinary actions against those agents outside of company imposed tolerance levels. Distribution of the Company policy on replacements to General Agents took place in early 1995.
- Changes in administrative procedures to document files, including date stamping incoming mail.
- Implementation of a program by Home Office staff to train employees and agents in fraud detection, misrepresentation, and other types of sales tactics.
- Active participation in industry wide market conduct and compliance programs (e.g. IMSA).

Even though the Company has taken the above steps to improve compliance monitoring, we found evidence that there are still areas of concern.

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- The frequency of replacement sales practices did not change after 1994.
 - Primary responsibility for initial training and supervising new agents on Company products and procedures now rests with the General Agents, although the Company does have avenues for all agents to work directly with the Home Office personnel for one-on-one training and they do presentations for agents around the country.

- During the examination period, the Company did not audit the General Agent offices to ensure compliance with Company standards.

Subsequent Events: In 1997, the Company began requiring that any Home Office personnel visiting a field office are to fill out an audit checklist.

INSTRUCTIONS AND RECOMMENDATIONS

Instructions

1. RCW 48.17.010 and WAC 284-17-420(1) require that each individual or corporation soliciting business on behalf of an insurance company must be appointed prior to solicitation of business. In our review of Company records we found 22 violations. The Company is instructed to appoint agents prior to allowing them to solicit business on their behalf, and to advise all field personnel and General Agents of this requirement. (page 6)
2. WAC 284-23-410 states that if an agent has knowledge that existing coverage is to be terminated and new coverage written to take its place, then replacement forms must be obtained, and statements from the insured and agent regarding replacement must be taken at the time of solicitation. The Company is instructed to change procedures to ensure that all forms are completed at the time of solicitation when there is knowledge that replacement is involved in the sale of their products. (page 10)
3. Policy #1856246 was sold as an IRA pension plan. When the insured complained that they were not aware they bought a life insurance policy instead of a pension plan, the Company denied the insured's request for a refund of premium due to misrepresentation at the time of sale. This case violates RCW 48.30.090, Misrepresentation of Policies, and RCW 48.30.010(1) Unfair Practices. The Company is instructed to refund the premium plus a fair rate of interest on this policy, and to modify procedures to ensure that this does not occur again. Documentation of proof of payment and procedural changes are to be provided to this office. (page 9)
4. WAC 284-23-455(2)(b) requires that notification of possible external replacement must be sent to the existing company within 3 days of receipt of replacement forms and application. Of the 34 files examined, 10 did not meet this time standard. The Company is instructed to change the notification procedure so that letters are sent to the existing company within the required time period. (page 10)

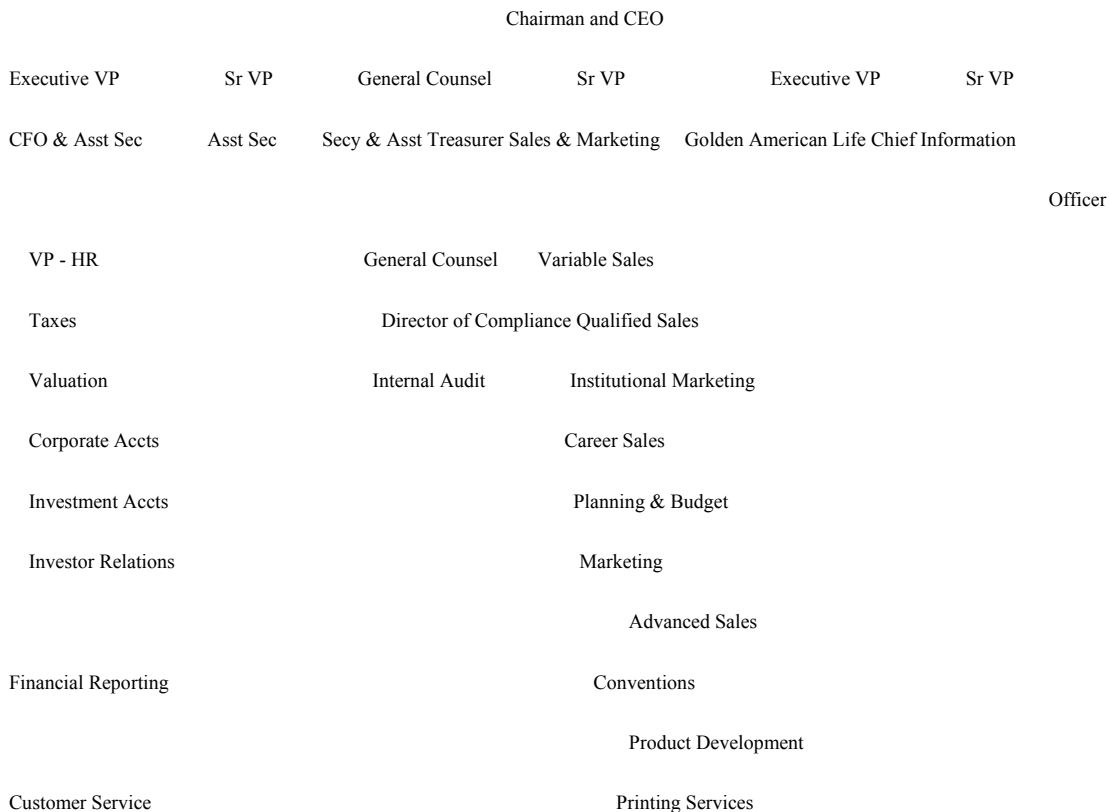
Recommendations

1. The Company has given General Agents broad responsibility and leeway in creating methods and materials to train agents. The Company does not, at this time, do on-site audits to verify that Company materials have not been altered, and that training programs meet Company standards. It is recommended that the Company establish a program to monitor the programs in use in General Agencies in order to ensure that the Agencies are meeting company expectations. (page 6)

2. Because of the low policy volume in Washington, only the Conservation Director is a licensed Washington agent. If he is gone, there is no one else in that department to handle Washington policyholders. It is recommended that at least one other employee in the Conservation Unit be licensed as an agent in Washington to act as a back up when the Conservation Director is not available. (page 11)

APPENDIX 1

ORGANIZATION CHART - EQUITABLE LIFE INSURANCE COMPANY OF IOWA



New Business

Sales, Commissions, Contracting

Recruiting Support

Marketing Support

Licensing/Brokerage

Commission Manager

Selection

Career Administration

ELI Benefits

Career Payroll/Benefits

Field Orientation

Conservation

APPENDIX 2

EQUITABLE LIFE OF IOWA

AGENT REVIEW

Agent Name	Appt. Date	Policy Date	Policy #
Agrella	5/28/93	5/10/93	U 91168
Barrett	4/16/92	2/26/92	U 85138
		2/28/92	1855816
		3/4/92	U 85137
		4/6/92	U 85437
Bone	3/26/92	3/14/92	U 84992
		3/14/92	1855336

Brady Smith	4/2/92	3/9/92	U 85118
Callahan	1/15/92	1/13/92	1854235
Carley	3/12/93	2/26/93	U 90073
Chikalla	5/27/93	5/7/93	U 91372
DA Davidson & Co.	10/30/96	10/4/94	K 26483
		10/17/94	K 26454
		10/21/94	K 26451
		10/31/94	K 26570
		12/12/94	K 26742
		3/13/95	K 30178
De Armitt	4/24/92	3/19/92	U 85595
		4/6/92	U 85683
Fowler	8/7/92	6/18/92	1856563
Hering	4/7/92	4/3/92	U 85635
		4/3/92	U 85485
Janssen		5/17/93	1859842
		8/10/93	U 92049
		5/18/94	1864970
King, Anthony	3/22/94	3/22/94	1864747
Leon	8/1/95	3/3/95	1867986

Note: Leon Associates appt. date 8/13/86 (affiliate)	individual appt. date		
Meloy	6/4/93	5/4/93	U 91521
		5/4/93	U 91519
		5/4/93	U 91520
		5/21/93	1860103
		5/27/93	K 23925
Pearson, Joby	3/12/92	2/26/92	1855065
Rogers, A	5/8/91 to 11/14/92; 8/21/95 to present	7/30/95	U 106931
Rosseau	2/5/88 to 4/24/91; 5/6/91 to 11/14/92	12/29/92	F 25804
		12/30/92	F 25770
Schindler	7/10/95	5/14/95	U 104537
Stober	4/2/93	3/1/93	K 23264
Taylor	4/13/95	3/31/95	A 300036

Wu	7/28/93	7/4/93	U 92074
		7/11/93	U 92236
		7/11/93	U 92069
		7/11/93	U 92239
		7/11/93	U 92072

APPENDIX 3

Complaints by Year and Type

Year	Complaint	Type	Action Taken
1992	Address Change Procedure	PHS	none
	Agent Communications	AGT	none
	# payments required	PHS	compromise
	Agent Mishandled Application /Underwriting	AGT	none
	Old Policies Not Canceled (no replacement forms)	AGT	none
	Loan Interest	PHS	none
	Reinstatement of expired term policy	PHS	none
	Policy sold as Pension Plan	SALE/AGT	none
1993	Agent cashed surrender check	AGT	\$\$ refunded to

	made out to insured (OIC)		Insured
	Decrease face amount/surrender charges	PHS	none
	Interest of loan not explained	PHS	delay interest start date
	Handling of policy with Irrevocable Bene - Company not notified	PHS	none
1994	Refund of Premium	PHS	\$\$ refunded
	Surrender of policy	PHS	\$\$ refunded
	Surrender proceeds	AGT	\$\$ surrendered
	Cost of duplicate policy (OIC)	PHS	none
1995	Cash value of paid up policy	PHS	none
	Tax liability of MEC Contract	PHS	reversed 1099
	\$\$ not sufficient to carry policy (OIC)	PHS	none
	Loan from wrong policy	PHS	corrected
	Questions on policy provisions	PHS	none
1996	IRS tax levy	PHS	none

Shaded Lines = Those that require additional action after OIC review.

(OIC) = Those that are on the OIC complaint log.

PHS = Policy Holder Services Complaints

AGT = Agent Complaints

SALES = Sales Based Complaints

APPENDIX 4

INCOMPLETE REPLACEMENT REQUIREMENTS

POLICY NUMBER	INCOMPLETE REQUIREMENT
U 112905	Replacement letter late or not dated
U 940099	
U 101404	
U 91090	
U 103796	
U 98767	
U 85823	
U 1000704	
U 84145	
U 117786	Forms received after application underwritten

APPENDIX 5

IN FORCE POLICY REVIEW

(from the General Population Database)

Policies Issued as a Result of Replacement

<u>Policy #</u>	<u>Comments</u>	<u>Policy #</u>	<u>Comments</u>
1859588	No notification letter	1860170	
1862448	No replacement form in file	1860291	No replacement form in file
1868088		K 30259	No replacement form in file
K 30696	No replacement form in file	K 26483	
U 85118		U 85635	>3 days to notify other co.
U 85823		U 86055	
U 86572	>3 days to notify other co.	U 87052	
U 87242	No date on notify letter/1035 in	U 87991	1035 in
U 94099		U 94353	
U 94692	>3 days to notify other co.	U 94932	>3 days to notify other co.
U 96521	>3 days to notify other co.	U 96878	>3 days to notify other co.
U101209	policy summary not sent w/forms	U101404	Replacement questions blank
U102354	Agent replacement question blank	U112101	
	Notify letter not dated		
	Notify letter incomplete		
U114081			

Conversion

1865355	1872624	1854302	1858273
1865586	U 91562	U 95199	U 96009
U 97320	U101654	U103167	U104887
U105202	U105552	U105880	U107290
U107720	U108386	U109095	U109832
U110986	U112507	U112956	U115300

Internal Replacements

1860116	1844714	1855914	1857406 *
U86856 *	U102760	U103564 *	

* new policy is funded from values available through old policy

APPENDIX 5, Page 2

IN FORCE POLICY REVIEW

Policies Issued and then Surrendered During Exam Period

1855619	1856390	1857352	U 84830
U 87991	U 88621	U 89810	U 90013
U 90361	U100517	U101950	UF11897
UF12046			

Policies Issued During Exam with Existing Coverage

<u>Conversion</u>	<u>Internal Replacement</u>	<u>External Replacement</u>
U 84890	F 25941	K 23350
U 88990	U 99182	1867986
U 91602		
U 94862		
U102740		
U104362		
U105562		
U106523		
U108165		
U110465		
U111865		
UF11910		
UF12818		

Funded From Existing
Policies

K 21462
K 25733
U 86856
U 99182